

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6999

BILL NUMBER: SB 165

DATE PREPARED: Apr 5, 2001

BILL AMENDED: Apr 5, 2001

SUBJECT: Charter Schools.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill amends the law concerning Indianapolis Public Schools (IPS) to make the provisions concerning student standards, improvement, and accountability consistent with provisions applicable to other school corporations. It provides for collective bargaining and discussion rights for school employees, including charter school employees and employees of IPS. The bill defines a "sponsor" as: (1) the governing body of a school corporation; or (2) the mayor of Indianapolis. It provides for the mayor of Indianapolis to sponsor not more than 3 charter schools within IPS. The bill also provides for regional charter schools. It sets forth the organization, powers, method of establishment, charter contents, policies, oversight, and restrictions for charter schools. The bill requires 100% of the teachers in a charter school to hold a license to teach in a public school. It provides that if a school corporation eliminates a teaching position in a noncharter school because of a charter school, the legal or contractual provisions, if any, otherwise applicable to the teacher whose contract is canceled, continue to apply to that teacher. The bill allows the conversion of an existing public school to a charter school if at least 67% of the teachers and 51% of the parents approve of the conversion. It makes conforming amendments to related statutes.

Effective Date: (Amended) Upon passage; July 1, 2001.

Explanation of State Expenditures: (Revised) *Charter Schools* - In order for the sponsor to grant a charter to an organizer, the organizer must submit to the sponsor a proposal to establish a charter school and include in the proposal plans concerning the method of instruction, curriculum, transportation, and budget. The sponsor would then make copies of the application available to the public, give notice of a public hearing, and hold a public hearing concerning the proposed charter school. A sponsor may not grant a charter to a for-profit organizer.

The sponsor of the charter school must notify the Department of Education of the receipt of a proposal and either acceptance or rejection of a proposal. The Department would compile information on charter school proposals into an annual report that would be submitted to the General Assembly.

Students who attend charter schools would be counted the same as students of the school corporation who do not attend a charter school. Consequently, the establishment of a charter school and attendance by students in a charter school will not reduce a school corporation's average daily membership (ADM). **Consequently, this bill will not change the overall amount of funding generated by the current school funding formula.**

The amount that each charter school would receive would depend on the number of students who are enrolled. The following table shows the average revenue per ADM that school corporations reported receiving from state and local funding sources in 2000. The bottom row shows the average amount that school corporations received on a per ADM basis from the combined sources.

	<u>5th Percentile</u>	<u>Average</u>	<u>95th Percentile</u>
State Support	\$1,751	\$2,871	\$4,931
Levy Support	\$822	\$1,554	\$2,804
Auto Excise Tax	\$107	\$188	\$286
Financial Institutions Tax	\$0	\$10	\$27
Special Education	\$201	\$308	\$452
Vocational Education	\$22	\$69	\$133
At-Risk	\$0	\$37	\$107
Growing Enrollment	\$0	\$3	\$0
Academic Honors	\$4	\$13	\$22
Primetime	\$36	\$105	\$209
Transportation	\$8	\$50	\$126
Average Combined Amount per ADM	\$4,765	\$5,202	\$6,156

Organizers of a charter school are required to submit an annual report to the Department of Education each year for informational and research purposes.

The bill appropriates \$50,000 from the General Fund each year for FY 2002 and FY 2003 to administer the Charter School Program.

Explanation of State Revenues: *Charter Schools* - Some monies may be available from Federal sources. Congress has made \$140 M available this year to states for local charter school start-up grants. The start-up grants may increase to \$190 M next year. The maximum grant per school is \$150,000. The specific amount that Indiana would have available is not immediately available. There are about 2,100 charter schools in 36 states that might qualify for the Federal grants.

Explanation of Local Expenditures: (Revised) *Indianapolis Public Schools* - The effect of reinstating collective bargaining and discussion rights to certificated school employees would have an indeterminable impact on the school corporation's administrative procedures.

There may be some additional short term administrative costs to IPS if they modify their student standards, improvement, and accountability provisions to be more consistent with other schools. The school may experience long-term savings from being able to simplify the procedures. Similarly, the cost of teacher evaluations may be higher initially since the procedure may be changed, but there may be a reduction in

expenditures in the future.

The bill eliminates merit pay provisions for IPS employees. Performance awards were made to teachers at one school in the 1996-97 school year and in 21 schools in the 1997-98 school year. The total amount that was spent on performance awards was approximately \$500,000.

Charter Schools - If charter schools are established and a significant shift in students to charter schools occurs, the school corporation may need to reduce staff and operations in the non-charter schools to adjust to the fewer students.

The sponsor is required to provide the charter schools with an advance equal to the operating costs of the charter schools for the initial six months of operations. The charter school will then repay the sponsor over a three-year period beginning six months after the charter school begins operations.

Explanation of Local Revenues: *Charter Schools* - This proposal would not affect property tax levies or rates because the students enrolled in a charter school would still be included in the school corporation's ADM.

Charter schools and programs would be allowed to charge tuition only for pre-school or Latch Key programs (if the charter school or program provides these programs). In terms of local school property tax levies, there would be no fiscal impact.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education Data Bases.